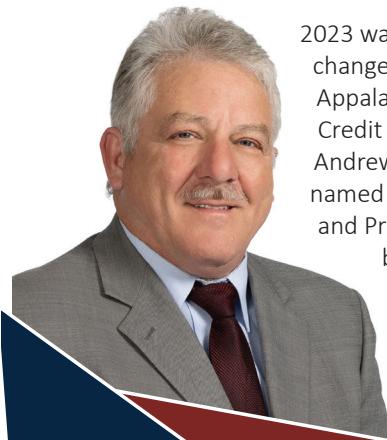




Take the
APPY WAY HOME!

**ANNUAL
REPORT
2023**

Letter from the Board Chairman, MR. JOE BOGGS



2023 was a year defined by change and productivity for Appalachian Community Federal Credit Union. In February, Andrew J. Mullins III was named Chief Executive Officer and President. His extensive background in retail banking, lending, training, member engagement, and management well-position him to lead our credit union and community into a bright future.



Andrew J. Mullins III named
ACFCU CEO/President

NCUA

The renovations on our new administrative and branch offices in downtown Kingsport continued throughout the year. Administrative team members made the move to the New Street location in late June, and our new branch officially opened on October 2, 2023. Located at the corner of Commerce and New Street, this makes our sixth ACFCU branch location. A new walk-up ATM is located on Commerce Street offering convenience and accessibility for downtown dining and shopping.

In early June, we launched MemberXP, a voice of the member survey program. The program is designed to help us map the member journey so we can determine the specific experiences with the greatest impact on member loyalty as well as identify any gaps in our products and services.



After seven months utilizing the program, we were honored to be notified that ACFCU was a recipient of MemberXP's Best of the Best award. This distinguished accolade is an annual acknowledgment bestowed upon credit unions that consistently excel in delivering exceptional service.

In 2023, over 300,000 MemberXP surveys were completed nationwide among nearly 8 million credit union members, spanning all 50 U.S. states, and extending into Canada. Custom questions were triggered by relevant member engagements and designed to capture insights spanning a diverse range of financial interactions, from account openings to loan applications.

The annual competition focuses on two universal CX metrics – Net Promoter Score (NPS)® and Member Effort Score (MES), meticulously identifying

and verifying the top 25% of performers in each financial experience category, leading to the presentation of the Best of the Best awards. ACFCU stands among this elite group, exemplifying excellence in member satisfaction and service delivery.



Specifically, ACFCU was ranked #1 out of 91 credit unions for Consumer Loan Experience and placed 5th for Member Care Experience. The efforts and commitment of your Appy Team in reaching these milestones demonstrate the focus placed on providing superior member service.

Eaton and Pavitt earn CCUFC designation



Sherri Eaton, CCUFC



Penny Pavitt, CCUFC

In November, ACFCU was honored to have two of our team members, Stone Drive Branch Manager Sherri Eaton and Senior Mortgage Loan Originator Penny Pavitt, earn their Certified Credit Union Financial Counselor (CCUFC) designation through the Enhanced Financial Counselor Certification Program.

Offered through the Tennessee Credit

Union League, the five-month self-paced program guides staff on the best skills counselors can use to help members better manage their finances.

As a designated Community Development Financial Institution (CDFI), ACFCU shares a common goal of expanding economic opportunity in low-income communities by providing access to financial products and services for local residents and businesses. Offering free financial counseling by our own certified financial counselors is one way we strive to foster economic opportunity for our entire community.

We know these are challenging economic times for our nation. ACFCU is committed to standing beside our member-owners and our community to help save money, save time, and make money as well as offer convenience and peace of mind. It's the Appy Way!

I want you to be assured that ACFCU is well-capitalized and on solid footing. We stand ready to serve you in 2024 and in the years to come. On behalf of our volunteer Board of Directors, Supervisory Committee and the entire Appy Team, thank you for your membership and loyalty to ACFCU!

A handwritten signature in blue ink that reads 'Joe Boggs'.

Joe Boggs
Chairman of the Board of Directors

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF 12/31/2023

ASSETS	
Cash and cash equivalents	\$9,758,881
Investments available for sale	\$2,185,597
Restricted investments	\$1,181,947
Loans receivable, net of allowance for loan losses	\$143,446,364
Accrued interest receivable	\$551,195
Property and equipment, net	\$5,762,988
Deposit in National Credit Union Share Insurance Fund	\$1,377,616
Foreclosed assets	\$138,199
Other assets	\$1,107,299
TOTAL ASSETS	\$165,510,086
LIABILITIES	
Share and deposit accounts	\$146,687,410
Accrued dividends and interest payable	\$33
Accounts payable and accrued liabilities	\$993,926
Subordinated debt	\$1,714,286
TOTAL LIABILITIES	\$149,395,655
MEMBERS' EQUITY	
Regular reserve	—
Undivided earnings	\$16,176,914
Accumulated other comprehensive income	(\$62,483)
TOTAL MEMBERS' EQUITY	\$16,114,431
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$165,510,086

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS OF 12/31/23

INCOME	
Net income	\$1,242,560
Unrealized gains on investment securities available for sale	\$145,793
COMPREHENSIVE INCOME (LOSS)	\$1,388,353

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY AS OF 12/31/23

	Regular Reserve	Undivided Earnings	AOCl (Loss)	Total
BALANCES, Dec. 31, 2022	\$6,171,056	\$9,454,636	(\$208,276)	\$15,417,416
Net income	—	\$1,242,560	—	\$1,242,560
Other comprehensive loss	—	—	\$145,793	\$145,793
Cumulative change in accounting principle - Adoption of FASB ASU 2016-13	—	(691,338)	—	(691,338)
Cumulative effect for change in regulation	(6,171,056)	6,171,056	—	—
BALANCES, Dec. 31, 2023	—	\$16,176,914	(\$62,483)	\$16,114,431

CONSOLIDATED STATEMENT OF OPERATIONS AS OF 12/31/2023

INTEREST INCOME	
Loans	\$8,168,618
Other interest-earning assets	\$1,160,470
TOTAL INTEREST INCOME	\$9,329,088
INTEREST EXPENSE	
Dividends and interest on share and deposit accounts	\$2,707,529
Interest on borrowed funds	\$51,442
TOTAL INTEREST EXPENSE	\$2,758,971
NET INTEREST INCOME	\$6,570,117
PROVISION FOR LOAN LOSSES	
Net interest income after provision for loan losses	\$6,259,000
NON-INTEREST INCOME	
Fees and service charges, net	\$2,633,575
Net gain on disposal of property and equipment	\$2,541
Net loss on foreclosed assets	(\$234,770)
Rental income	-
Grant income	\$181,265
Other income, net	\$286,321
TOTAL NON-INTEREST INCOME	\$2,868,932
NON-INTEREST EXPENSES	
Salaries and benefits	\$3,668,809
Office operations	\$2,367,594
Office occupancy	\$873,587
Professional and outside services	\$207,228
Loan servicing expense	\$618,402
Educational and promotional	\$56,801
Travel and conference	\$18,965
Other expenses	\$73,986
TOTAL NON-INTEREST EXPENSE	\$7,885,372
NET INCOME	\$1,242,560

*WE CERTIFY TO THE BEST OF OUR KNOWLEDGE THIS STATEMENT IS
TRUE AND PRESENTS FAIRLY THE FINANCIAL POSITION FOR THE
PERIOD COVERED.*

QUALITY FINANCIAL CONCEPTS

For many people, investing can be confusing and intimidating. That's why Appalachian Community Federal Credit Union partners with Quality Financial Concepts (QFC) to provide members with expert investment advice from CERTIFIED FINANCIAL PLANNER™ professional Shane Smith.

Smith recently earned the coveted Chartered Financial Analyst® designation. In order to qualify to become a CFA® charterholder, candidates must have obtained a bachelor's degree, pass all three levels of the curriculum and accumulate at least 4,000 hours of qualified work experience. It is one of the highest distinctions in the investment management profession.

With a focus on common sense investment strategies, Smith strives to give professional guidance and develop a strategy best suited to the individual needs of ACFCU members.

QFC solutions include:

- Retirement Planning
- Risk Management
- Professional Wealth Management
- Long Term Planning
- Insurance Planning
- Estate Planning Strategies
- Tax Advantages
- Portfolio Analysis & Monitoring

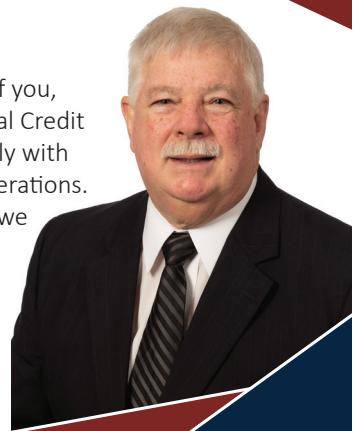
**For more information or to schedule an appointment,
contact Smith at 423-416-5200 or mssmith@qualityfinancial.com.**

M. Shane Smith, CFP®, Branch Office of and Securities offered through Crown Capital Securities, L.P. Member FINRA & SIPC. Advisory services offered through QFC Advisory LLC. Tax services and insurance offered through QFC Services LLC. QFC Advisory LLC and QFC Services LLC are wholly owned by Quality Financial Concepts LLC (collectively, QFC). CCS and QFC are not affiliated. Not NCUA Insured. No Credit Union Guarantees. May Lose Value.



Supervisory Committee Report, MR. BUDDY JOHNSTON

The Supervisory Committee represents the best interests of you, our members, by reviewing Appalachian Community Federal Credit Union's management practices and communicating regularly with ACFCU's internal compliance department on day-to-day operations. As the volunteer oversight committee for the credit union, we operate independently of your ACFCU Board of Directors. The Supervisory Committee is responsible for overseeing the safety and soundness of the credit union as well as confirming the validity of internal controls.



It is the responsibility of the Supervisory Committee to retain a qualified CPA firm to conduct a comprehensive annual audit of credit union financials as required by our federal regulator, the National Credit Union Association (NCUA). Our credit union audit for the year ended December 31, 2023, was performed by Brown Edwards, CPA, LLC, Roanoke, Va. They have confirmed the financial statements fairly represent the credit union's financial position, and conform with generally accepted accounting principles.

Upon reviewing the results of this audit, as well as many additional reports and financial updates throughout the year, the Supervisory Committee can confidently state that ACFCU is safe, sound and prepared to continue serving our members at the highest level. If you have questions or concerns, please feel free to contact me or another member of the Supervisory Committee. It is our pleasure to serve you. We appreciate your membership and loyalty to ACFCU!

A handwritten signature in black ink that reads "Buddy Johnston".

Buddy Johnston
Chairperson, Supervisory Committee



Meet Our Executive Leadership Team



Left to Right:

Brack Lindamood, *Director of Information Technology*
Vicki Gobble, *Chief Financial Officer*
Andrew Mullins, *President & CEO*
Olivia Rumley, *Vice President of Lending*
Miranda Cooper, *Chief Experience Officer*
Rhonda Hazlewood, *Director of Human Resources*

LOCATIONS

Gray

5038 Bobby Hicks Highway
Gray, TN 37615

Johnson City

3101 Peoples Street, Suite 100
Johnson City, TN 37604

Kingsport

1500 East Stone Drive
Kingsport, TN 37660

201 East New Street
Kingsport, TN 37660

Norton

1400 Park Ave NW
Norton, VA 24273

Rogersville

1206 West Main Street
Rogersville, TN 37857

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